

**Etzig, Trista**

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**From:** checook@state.pa.us  
**Sent:** Monday, May 22, 2006 4:06 PM  
**To:** Scblockgrants,  
**Cc:** rredding@state.pa.us%inter2; mpechart@state.pa.us%inter2; knagurny@state.pa.us%inter2  
**Subject:** Comments on proposed rule for the Specialty Crop Block Grant Program  
**Attachments:** ATTACHMENT.TXT

Docket Clerk, Fruit and Vegetable Programs  
Agricultural Marketing Service  
United States Department of Agriculture  
1400 Independence Avenue, Suite 200A  
Washington, D.C. 20250

Dear Clerk:

This is to respond to the USDA's request for comments regarding the proposed Specialty Crop Block Grant Program, docket number FV06-1290-1 PR, Federal Register, April 20, 2006, pages 20353 – 20357. Overall, I believe that the proposed rule does a good job of implementing the Specialty Crops Competitiveness Act of 2004, and AMS is to be commended both for staying true to the statutory provisions and for seeking input on some of the more nebulous provisions of the Act.

The notice states in the Background section that AMS will provide a single electronic funds transfer to the state, who must then deposit the funds into an interest-bearing account and remit interest earned to AMS. However, the policy of Pennsylvania's Office of the Comptroller is to spend state funds on projects, and then seek a one-time reimbursement of federal dollars at the end of the project. I trust this won't be a problem, but it underscores the need for AMS to be flexible in administering the program with each applicant.

The notice states that AMS is particularly inviting comments in two areas: defining "enhancing the competitiveness of specialty crops"; and incorporating outcome measures into State plans.

With respect to "enhancing the competitiveness of specialty crops", I would encourage AMS to take a very broad view of this term in order to allow states to take best advantage of the program to meet their state's needs. While much of the discussion will focus on marketing and promotion, it may well be that a state believes it needs to conduct research that may lead to improved product quality or safety. Actually, one of the greatest threats to the competitiveness of Pennsylvania's nursery crops is an overabundant deer population whose native habitat keeps disappearing for houses and shopping malls. To be competitive in the marketplace, a nurseryman first has to get crops to maturity. Control of invasive species and other pests may play a role in competitiveness, as well. Assisting producers of specialty crops with business plans, or using funds for a low-interest revolving loan program could be viewed as enhancing competitiveness, as could providing assistance with developing cooperatives to share production costs and marketing expenses. One of the biggest obstacles to Pennsylvania produce growers accessing our 501 school districts is the lack of affordable product liability insurance, and perhaps some of the block grant money could be used to develop that insurance product through the Department of Agriculture. One of the biggest obstacles to accessing increasingly concentrated retail markets is the need to aggregate product in one location, where it can be graded and packed per larger retailers' quantity and quality specifications. Some states, such as Virginia, have taken on that infrastructure role through the Department of Agriculture.

As to incorporating outcome measures, I would encourage AMS to be flexible there, as well. Outcomes for states anticipating the base \$100,000 simply won't be as meaningful as outcomes that could be expected in states receiving larger grants. At the same time, the larger the grant, the more activities can be undertaken, and the harder it might be to determine outcomes for the overall project – particularly within the three-year timeframe. If the activity is a simple outreach or educational event, the anticipated outcome would be different than if the activity were assisting producers with transitioning to organic production to capture growing consumer interest in

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organic crops. Three years might be enough time to conduct a feasibility study and a business plan for a produce distribution center, and it might even be enough time to get a center constructed, but really meaningful outcomes wouldn't be known for several years afterwards. Outcomes should address factors of quality, timeliness, or cost/value, but need to be individualized to each state's project plan.

#### Section by section comments on proposed Part 1290

Section 1290.1: The proposed rule states that other applicable federal statutes and regulations including 7 CFR part 3016 will be used to make grants. This part indicates that the State must use the applicable cost principles outlined in the Office of Management and Budget (OMB) Circular A-87. This circular restricts allowable projected costs related to advertising, public relations, selling and marketing. These regulations should not be construed to prohibit state departments of agriculture from marketing and promoting specialty crops. Indeed, that is likely to be the heart of our project plan in Pennsylvania, much as it was the last time funds were available.

1290.2(f): Does the definition of "nursery crops" include Christmas trees? If AMS has yet to make that determination, I would recommend that they should be included.

1290.4(a): The proposed rule states that, "[t]o be eligible for a grant, the *project(s)* must enhance the competitiveness of specialty crops". If a "project" is defined in 1290.2(e) as "all proposed activities to be funded by the SCBGP", under what circumstances would a state have more than one project? Perhaps a separate definition of the term "activities" would be helpful.

The same paragraph states that, "[p]riority will be given to fresh specialty crop projects". While Pennsylvania is among the leaders in direct sales of fresh produce to consumers, this statement is still troubling in a state that supplies a large majority of the nation's canned mushrooms. It also arbitrarily places a higher priority on produce over nursery and floriculture crops. Since this limitation is not required by the Act, I would recommend that AMS delete that sentence.

1290.4(b): Again, "project" is defined in 1290.2(e) as all activities to be funded by the grant, so for the project to be complete in three years, all activities, including evaluation, would have to be done, too. I recommend giving extra time for that activity, as the rest of the project likely would need to be complete before we can truly be ascertain the extent to which we've met our expected outcomes.

1290.6(2)(ix): Some clarification would be helpful with respect to letters of support for projects and whether they should be available upon AMS request, incorporated into the body of the application, or provided as an appendix.

1290.6(2)(x): It is very good to see that AMS anticipates multi-state projects. Please bear in mind that it may take the first year for such projects to be organized, and that project plans may reflect a higher percentage of funds for administration in that period.

Finally, I would recommend adding language authorizing AMS to negotiate with a state on funding levels and specific activities in the process of reaching a grant agreement. It would be far better to fund some activities than to reject an application outright because AMS lacked confidence in one or two activities in the project plan.

Thank you for the opportunity to comment on the proposed rule. I look forward to providing Pennsylvania's plan to enhance the competitiveness.

Cheryl L. Cook

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